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Weekly Intelligence Summary No. 20

13 July 1948

SECTION I. SUMMARY OF TRENDS AND DEVELOPMENTS

Communist interests are apparently succeeding in establishing and expanding commercial air operations outside the territory of Soviet-controlled States in spite of US efforts to block such moves. Czechoslovak Airlines (CSA) has developed a profitable business in the transport of passengers and cargo from Rome through Athens to Haifa, and has consolidated its position as a friendly carrier for Jewish interests in Palestine. Active negotiations, moreover, are now under way between CSA and the Zionist-controlled and financed Pan African Air Charters (PAAC) for joint operations of a route from Europe through Haifa to South Africa. If a joint CSA-PAAC airline should be designated as the official flag carrier of the State of Israel (reportedly under discussion), CSA efforts to obtain modern long-range aircraft (hitherto frustrated by the US and other Western European powers) and extend its air routes would be enhanced. Furthermore, through affiliation with powerful Jewish interests, CSA might participate in the greatly expanded world-wide operations envisaged for the State of Israel by Jewish commercial enterprise.

The US is sending a special representative with the rank of Minister to Mexico City in a final attempt to resolve the existing impasse in negotiations for a civil aviation agreement.

The long-standing French-Bizone freight car exchange dispute over interpretation of the agreement signed in Paris last March has now been settled. As a result, the freight car situation in Western Germany, admittedly one of the worst in all Europe, will now be alleviated and the strained relations between France and Bizonia may be expected to improve.

Turkey has requested a US survey of Turkish merchant marine requirements, in connection with the plan to double prewar Turkish tonnage and lessen dependence on foreign flag bottoms. (An obstacle to the Turkish desire for additional US shipping will be the necessary expenditure of a relatively large amount of dollar exchange.)

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SECTION II. CURRENT DEVELOPMENTS

~~Secret~~ Communist interests are apparently succeeding in establishing and expanding commercial air operations outside the territory of Soviet-controlled States. Czechoslovak Airlines (CSA), whose declared ambition is to extend its Mediterranean services to South Africa and India through the Middle East, has stepped up its operations very considerably in the past two months and now maintains scheduled operations to Istanbul and Cairo with daily flights to Haifa in addition to numerous non-scheduled cargo flights. In Northern Europe, Czechoslovakia has concluded a formal air agreement with Norway similar to those made with the US and other countries. (See TG Weekly Summary #2, 8 March 1948.)

US informal suggestions to Turkey and Greece that CSA's operations through their territory be reduced or terminated have been politely rejected on the grounds that the future of important trade agreements now in effect between these countries and Czechoslovakia, might be jeopardized. Consequently, CSA has developed a profitable business in the transport of passengers and cargo from Rome through Athens to Haifa, and has consolidated its position as a friendly carrier for Jewish interests in Palestine. Active negotiations, moreover, are now under way between CSA and the Zionist-controlled and financed Pan African Air Charters (PAAC) with headquarters in Johannesburg, for joint operations of a route from Europe through Haifa to South Africa. An agreement between these aviation interests would benefit CSA's long-range plans.

As a measure to defeat expansion of CSA operations, the US, with the cooperation of all friendly European governments, has prevented this airline from acquiring Constellations or other modern four-engine air transports. It must now be considered as a possibility, however, that in an effort to obtain such aircraft to replace obsolescent DC-3's, CSA may call upon PAAC for assistance. PAAC, backed by a group reported to control a sum of 250 million pounds sterling, may succeed where CSA has failed, in obtaining such aircraft needed to implement plans for future long-distance operations. If a joint CSA-PAAC airline should be designated as the official flag carrier of the State of Israel (reportedly under discussion), CSA efforts to obtain modern equipment and extend its air routes would be enhanced. Furthermore, through affiliation with powerful Jewish interests, CSA might participate in the greatly expanded world-wide operations envisaged for the State of Israel by Jewish commercial enterprise.

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The US is sending a special representative with rank of Minister to Mexico City in a final attempt to resolve the existing impasse in negotiations for a civil aviation agreement. (Discussions were initiated in 1946 and have continued intermittently but with little progress.)

The principal obstacle to conclusion of a US-Mexican agreement has been Mexico's traditional economic nationalism, which renders any reciprocal agreement entered into by the Mexican Government subject to severe domestic criticism. As a result of this factor, and of Mexico's relatively weak civil aviation position, the Mexican Government, in past negotiations with the US, has insisted upon monopoly rights over certain routes and upon a regulated division of traffic between US and Mexican airlines over certain others. Such provisions are wholly inconsistent with basic US aviation policy and, if Mexico is unwilling to retract from its present position, it is probable that no agreement will be reached and that discussion will be terminated.

Success of the projected US mission to Mexico City will, therefore, depend largely upon its ability to persuade the Mexicans that an agreement will not only protect the rights of Mexican aviation interests, but that the expected increase of air services from the US will operate to the financial advantage of Mexican business generally.

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The Italo-British air transport agreement signed in Rome, 25 June, provides for a fully reciprocal exchange of air traffic rights in accordance with the liberal principles adopted by the US and UK in the Bermuda Air Agreement. Italian air carriers will be permitted to establish air services to Great Britain, East Africa, South Africa and across the North Atlantic.

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The long-standing French-Bizone freight car exchange dispute over interpretation of the agreement signed in Paris last March has now been settled. The threatened sanctions against France by the Bizone authorities may have produced the desired results. (See TG Weekly Summary 15 June.) The new agreement provides at the start for equal exchange of cars held by both France and Bizonia, with other provisions to be worked out later. (France previously insisted upon a car bonus from ECA stocks in addition to equal exchange.) The freight car situation in Western Germany, admittedly one of the worst in all Europe, will now be alleviated and the strained relations between France and Bizonia may be expected to improve.

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~~Conf.~~ The Turkish request for a US survey of Turkey's merchant marine provides an excellent opportunity for strengthening the position of the US in Turkish maritime affairs. During recent years, Turkey, aided largely by the US, has endeavored to develop a merchant fleet for its foreign trade in order to lessen its dependence upon foreign flag bottoms. Prior to the war, Turkey owned about 150,000 deadweight tons of dry cargo merchant vessels, most of which operated in nearby waters, participating very little in overseas foreign trade. Present plans call for expanding the merchant marine to more than double the prewar size and for State ownership of approximately 80 percent of the fleet.

Turkey has purchased considerable tonnage from the US and the Minister of Communications recently expressed a desire to secure additional US tonnage (probably Liberty ships and other war-built vessels) from the US. An obstacle to the acquisition of such additional tonnage, however (in the event that it can be made available to Turkish operators), may be the necessity for expenditure of a relatively large amount of dollar exchange. Turkey is presently short of such funds.

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